Foreign Agriculture

Marketing News

Foreign Journalists Attend California Prune Festival

Ten top journalists from Europe and Japan were guests of the **California Prune Board** at the first annual California Prune Festival held recently in Yuba City, California. The festival, which provided the journalists with a firsthand opportunity to learn about the prune industry, was a joint effort of prune growers, packers and local volunteers. The event attracted over 22,000 visitors and featured California prunes in a variety of foods from barbecue sauce to yogurt. The journalists also toured packing plants and prune orchards to see how U.S. prunes are marketed from tree to supermarket shelf. Their visit was part of a multifaceted campaign to promote the versatility of California prunes to European and Japanese consumers.

High-Value Products Showcased In Aruba

Eighteen U.S. exporters from six Midwestern states showcased high-quality meats and high-value products at a mini-food show held last summer in Aruba. The **Mid-American International Agri-Trade Council** sponsored the show which attracted major importers and wholesalers from the restaurant, hotel and tourist trade. U.S. participants completed several distribution agreements and introduced new high-value products. Follow-up activities, including a menu promotion with the Restaurant Association of Aruba, are planned. Aruba relies heavily on high-value product imports to meet the requirements of its tourist trade and is expected to continue providing excellent export opportunities for U.S. companies.

U.S. Food Items Are a Hit At Singaporean Supermarket

A two-week American Food Fair held last summer in the Kimisawa Supermarket in Singapore resulted in a fivefold increase in sales of U.S. food and beverage products. The promotion was advertised in multilingual newspapers and a contest offered a number of prizes, including a 15-day vacation to the United States. The contest, advertisements and photographs of a variety of U.S. products attracted many people to the supermarket. In the store, extra quantities and giveaways were offered. Although every department reported increased sales, the largest gains were in the processed foods, canned goods and snack items departments. The **California Cling Peach Advisory Board, California Pistachio Commission, USA Poultry and Egg Export Council, U.S. Meat Export Federation, Washington State Apple Commission** and **Wine Institute** took part in the promotion.

Cotton Council Ad Encourages Japanese To Wear Cotton

This year, the **Cotton Council International** launched a promotion campaign to increase consumption of raw cotton fiber in Japan. A Japanese advertising agency developed a television commercial and magazine ad for the Council to capitalize on cotton's popularity. Through advertising, the Council hopes to persuade consumers to make fiber content an important part of their purchase decision. The ads are designed to increase recognition of the cotton emblem. They are targeted at young homemakers who influence family purchases and single men and women who can devote a greater share of their income to clothing. The campaign has resulted in an increase to 50 companies displaying the cotton emblem on their products during 1988 compared with nine companies in 1986.

Cottonseed Association Trade Team Visits Korea

The **National Cottonseed Products Association** sent a trade team to Korea last summer to conduct a technical seminar and evaluate the Korean market for imports of U.S. cottonseed oil. Over 75 key industry people attended the seminar. Technical aspects of refining cottonseed oil as well as its use in food products such as shortening and margarine were discussed. Team members also met with refiners, brokers, food company representatives and Korean government officials. The team concluded that the Korean market has great growth potential especially in the food service, restaurant and snack food industries. Korea's high standard of living and consumer preference for premium food items provide U.S. cottonseed oil exporters with marketing opportunities.

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American Pima Cotton Becoming Staple of High-Quality Textile Industries

By Paul M. Patterson

Exports of U.S. extra-long staple cotton, or American Pima cotton[1] as it is better known, have skyrocketed in recent years and the outlook for the future is bright. This growth has been fueled by increased purchases by high-quality textile industries in Western Europe and Asia that are expanding production of fine-count yarns and high-quality textiles.

As recently as marketing year 1982, the United States exported only 13,000 bales of Pima cotton. Yet, the following year, exports nearly tripled, reaching a record high of 36,000 bales.

Since 1983/84, exports have continued to grow to new record-high levels every year. Even during 1985/86, when total U.S. cotton exports (Pima plus upland cotton) fell by approximately 70 percent to a low of 2.0 million bales, American Pima cotton exports continued strong. Exports in 1987/88 reached 237,000 bales, more than twice the levels reached in the two prior years. Exports for 1988/89 are expected to soar even further to over 300,000 bales.

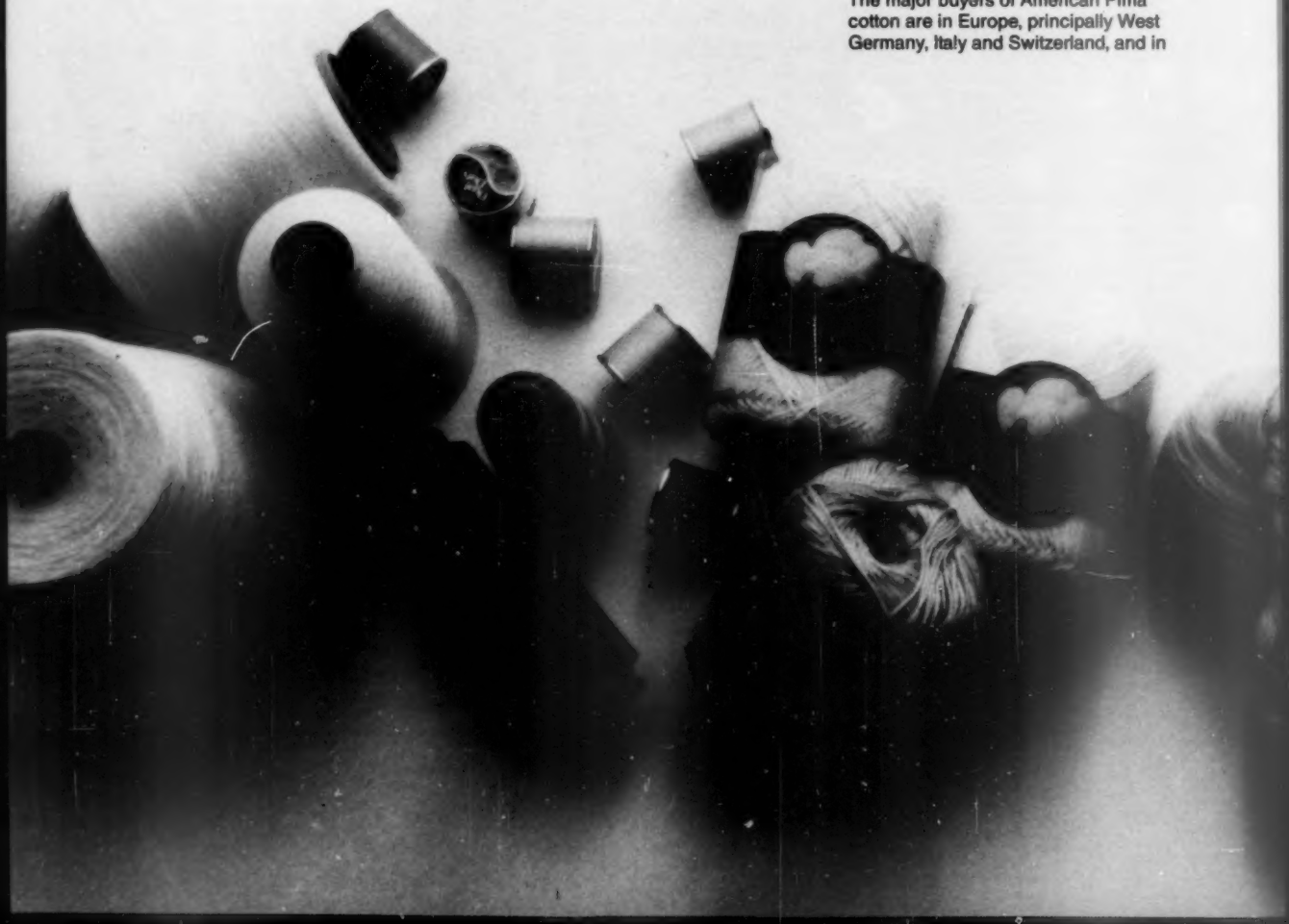
Strong Demand Pushes Up Prices

The export demand for the 1988 crop of American Pima cotton has been particularly strong. As early as June 9, 1988, three months prior to harvest, nearly one-half of the expected crop already had been sold for export.

This strong demand drove the price up to $1.30 per pound (c.i.f. Northern Europe), up from about $1.20 in previous months. Since then, Pima's price has risen to as high as $1.65 per pound. Before the 1987/88 marketing year was over, nearly all of the leading buyer nations had orders for 1988/89 shipments matching their 1987/88 imports.

Europe, Asia Are Major Buyers

The major buyers of American Pima cotton are in Europe, principally West Germany, Italy and Switzerland, and in



[1]Because other countries sell cotton called Pima, it is necessary to designate origin. Traders most commonly refer to Pima cotton grown in the United States as "American Pima," not U.S. Pima.

Asia, primarily Japan and South Korea. The textile sectors in these countries are mature industries that are facing increased competition in their domestic and export markets from developing Asian nations.

As they face increased competition, mainly in the coarse and medium-count yarn and garment trade, these traditional producers are retooling to expand production of fine-count yarns and finer, higher valued textile products. As a result, import demand by these countries for extra-long staple cotton and American Pima cotton should continue to grow.

European spinning mills have long been producing fine-count yarns. Yet their consumption of American Pima cotton had been fairly small until 1983/84. That year, European spinners faced high prices from other extra-long staple suppliers and turned to the United States, importing 23,200 bales of American Pima cotton. Since then, imports have increased by nearly 500 percent. European spinners like the performance of American Pima cotton and have found the United States to be a stable supplier.

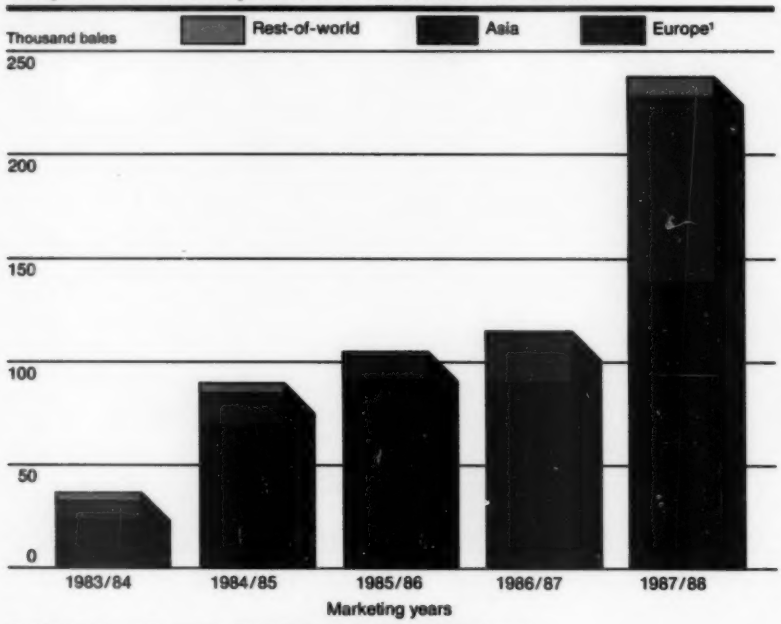
Fine-Count Yarn Is Bright Spot In European Industry

Currently, the demand for fine-count yarns is particularly strong in Europe, even as the whole European textile industry seems to be in a slight recession. As a result, demand for extra-long staple cotton is strong.

In 1987/88, the three top European markets, West Germany, Italy and Switzerland, took nearly half of American Pima cotton shipments. West Germany imported 67,500 bales, Italy, 27,700 bales and Switzerland, 15,800 bales. (Much of the cotton imported by West Germany is handled by German cotton merchants buying for spinners in other European countries.)

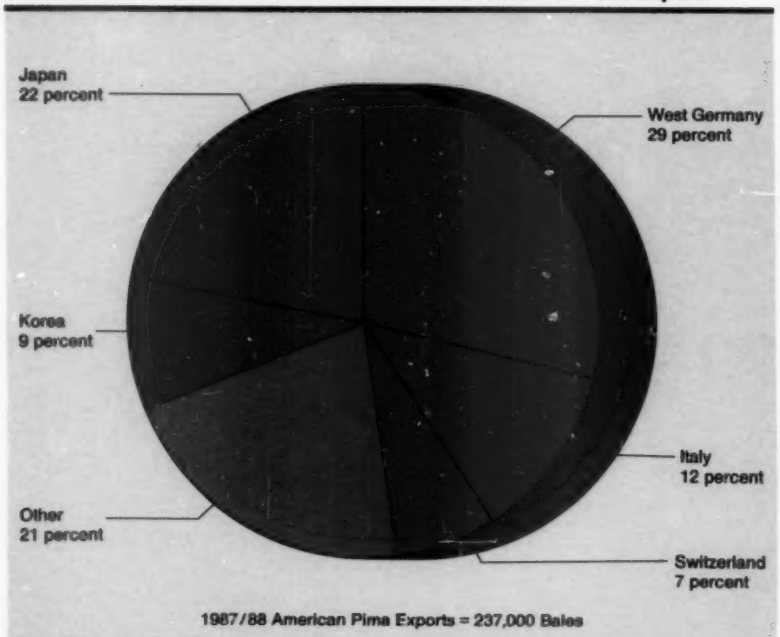
As part of an overall strategy to produce higher valued textile products, the Swiss textile industry has developed a new logo, "Swiss Cotton." Only fine-quality products made primarily of extra-long staple cotton can use this logo. Marketing developments such as this should promote the use of extra-long staple cotton, including American Pima cotton.

Europe and Asia Are Top Markets for American Pima Cotton



¹Includes European Community, Other Western Europe and Eastern Europe.

Five Countries Take More Than Three-Fourths of American Pima Exports



In addition to buying American Pima cotton, European spinners also are buying extra-long staple cotton from the Soviet Union, Egypt, Sudan and Israel. Currently, the Soviet Union is the biggest competitor for American Pima cotton in the European market. As the price of Pima cotton began its recent dramatic increase, European spinners chose to purchase more Soviet cotton, which was priced as much as 20 cents per pound less than American Pima cotton.

Egyptian extra-long staple cotton, of which there are many varieties, has long been recognized as one of the finest. However, American Pima cotton is beginning to compete successfully with certain varieties of Egyptian extra-long staple cotton in the European market. Already, American Pima cotton is the leading extra-long staple cotton consumed in Switzerland.

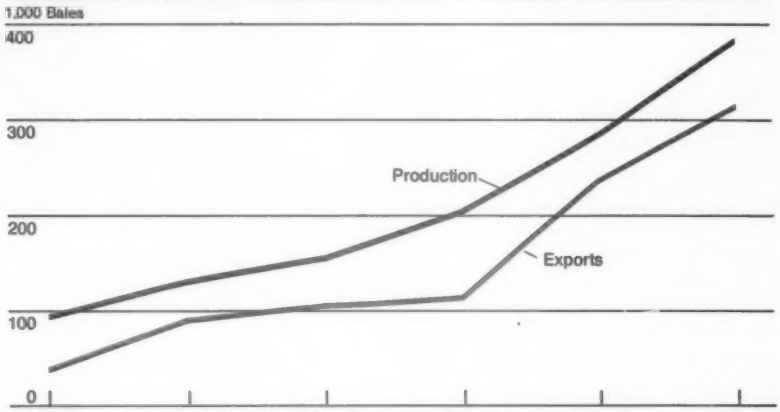
Asian Market Is Growing in Importance

The Asian region is a large market of growing importance to American Pima cotton exporters. Today, Japan is one of the largest consumers of extra-long staple cotton in the world. The growth in American Pima cotton trade within this region has been particularly dramatic in recent years. Since 1984/85, American Pima cotton exports to Japan increased thirteenfold to 53,100 bales and exports to South Korea increased nearly sevenfold to 22,200 bales.

The Japanese textile industry has exhibited great resilience in response to increased competition in the textile export market by modernizing its mills with state-of-the-art spinning and weaving equipment. This modernization will increase the production of fine-count yarns and high-valued textile products. Consequently, Japanese imports of extra-long staple cotton should increase.

Japanese textile companies have exhibited a strong interest in American Pima cotton and have expressed a desire to use the name of the U.S. producer association, Supima (Superior Pima), as a trade symbol. In 1989, a total of 10 companies will be allowed to use the name in products made of 100-percent American Pima cotton. Advertisements promoting such products have already begun.

American Pima Cotton Production and Exports Are on the Rise



¹Estimate. ²Forecast.

U.S. Production Up; Consumption Steady

While foreign consumption has been increasing in recent years, U.S. consumption of Pima cotton has been fairly steady at 60,000 to 70,000 bales. So American Pima cotton growers essentially are producing for the export market. Encouraged by the growing export market and favorable prices, as well as changes in the U.S. program for extra-long staple cotton, American Pima cotton growers have expanded cotton acreage and production significantly in recent years.

Since 1983/84, acreage and production has more than doubled. For 1988/89, production is estimated at 396,000 bales. Domestic consumption is expected to hold steady at about 55,000 bales.

Industry Group Is Force Behind Exports

Recognizing the unique properties of their crop and the growing demand for it, U.S. Pima producers formed the Supima Association of America in 1954. Much of American Pima cotton's export success must be attributed to the active market development activities of this organization. Representatives of the Supima Association have traveled to major markets, meeting with users and potential users of American Pima cotton.

After nearly 35 years of conducting its own market development activities, the Supima Association last year teamed up with the USDA's Foreign Agricultural Service market development programs. The goal of the Supima Association is to ensure that a high-quality fiber is supplied to the buyer in a stable supply. ■

The author is an agricultural economist with the Tobacco, Cotton and Seeds Division, FAS. Tel. (202) 382-9513.

Extra-Long Cotton Has Long History in the United States

Extra-long staple cotton was first grown in the United States in 1786 along the coastal areas of South Carolina, Georgia and Florida. This cotton was known as Sea Island cotton and was grown from seeds from the Bahama Islands.

This crop became commercially important during the 19th century, when most of it was exported to Europe. However, production of this crop virtually ceased in the early 1900s as it faced increased competition from foreign producers of extra-long staple cotton and production problems, primarily boll weevil infestation.

As the production of Sea Island cotton began to fade, an extra-long staple cotton known as American-Egyptian cotton was introduced in Arizona. In 1912, the first commercial crop of this cotton was produced. It became known as Pima cotton, named after a regional Indian tribe. Since then, Pima cotton has become an important Arizona crop and its production has spread into New Mexico and west Texas.

Extra-long staple cottons, as the name implies, have long fibers which by definition must be at least 1⅜ inches in length. Extra-long staple cottons also are characterized by fineness and high fiber strength.

These properties enable cotton spinners to produce finer and stronger yarns, needed for products such as sewing thread and fine quality fabric. Fabrics made with fine spun yarns generally have a silky, lustrous appearance.

Products such as pinpoint oxford and broadcloth dress shirts and lace use extra-long staple cotton. Extra-long staple cotton also can be used in products such as sheets and towels, giving these products a luxurious feel and appearance plus strength and durability.

In addition to fine-quality textile products, extra-long staple cottons are used for industrial purposes where strength is an important factor. Items such as industrial belting and military clothing and equipment use extra-long staple cotton. During World War I, the U.S. government purchased large amounts of Pima cotton for the production of military supplies.

At one time, extra-long staple cotton was even used for tire cords. In 1920, the Goodyear Tire and Rubber Company of Akron, Ohio, established its own Arizona Pima cotton farm.

Thailand's Industrial Boom Heralds Import Surge

By Carla Henry

Thailand's aggressive food, textile and manufacturing industries have outpaced domestic suppliers, fostering rapid growth of many agricultural imports. This is good news for U.S. exporters who are Thailand's largest agricultural suppliers, providing roughly 20 percent of Thai needs.

Thailand's agricultural imports grew by 15 percent last year, expanding to an estimated $640 million. Much of the growth came in markets where U.S. agricultural products were already established, allowing U.S. providers to reap the benefits.

Thai imports of selected bulk commodities—cotton, wheat and tobacco—have climbed markedly over the past few years. Imports of high-value goods like dairy and livestock products, horticultural products and specialty items also are on the rise.

Industrial Boom Feeds Thai Prosperity

Although still classified as a developing nation, Thailand has experienced some of the fastest economic growth in East Asia in the past several years. The Thai economy is expected to grow 8.5 percent in 1988 in real terms, and exports are forecast to expand another 25 percent.

With a foundation of plentiful, cheap labor, a booming tourist business and a solid agricultural sector, Thailand's growth is forecast to last well into the coming decade. Many experts predict Thailand will be the next economy to join ranks with the newly industrialized countries.

While per capita income remains below $900, investment and consumer spending are rising quickly in urban and industrial areas. Much of the growth will come from the industrial sector, leaving the once prominent agricultural side holding a steadily shrinking share of the country's gross domestic product and paving the way for increased agricultural imports.

U.S. Holds On as Top Cotton Supplier

Thailand's fast-growing textile industry has been the lifeblood of the country's recent development. As Thailand's major export earner, the textile industry is forecast to expand 14 percent this year and will remain robust through 1989. Domestic consumption, which accounts for 70 percent of textile production, is expected to rise 7 percent this year, matching last year's growth rate.

The boom in textiles will continue to raise demand for cotton from domestic and import channels. With Thai production falling considerably short of escalating demand, the outlook for U.S. cotton imports should remain bright.

The United States is a major supplier of cotton to Thailand, providing roughly 20-25 percent of total Thai imports. U.S. cotton is attractive to Thailand for its dependability as a top-quality product appropriate for use in the finest textiles.

The future export success of U.S. cotton to Thailand, however, is being threatened by rival countries. In a fiercely price-competitive market, U.S. exporters face stiff competition from Sudan, Pakistan and China, all of which are steadily building up their cotton shipments to Thailand.

Wheat Exports Remain Strong

The United States dominates Thai wheat imports, accounting for about half the market in 1987. Shipments of wheat to Thailand, pegged at 110,800 metric tons in 1987, an 11-percent increase from year-earlier levels, were expected to rise in 1988.

Thai wheat imports have risen only recently, largely because of the lack of familiarity with wheat-based food items. However, customs are changing in many of the urban areas, and bakery items are becoming more popular.

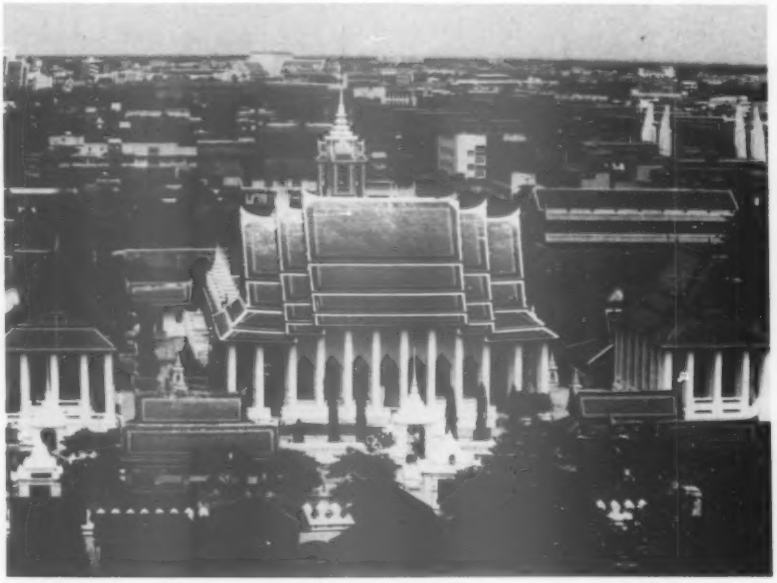
Growing competition from Australia and Canada has cut into U.S. exports in recent years. Japanese wheat flour also is beginning to make inroads in the market. However, with demand on the rise, imports should remain strong through the next few years.

Although Thailand is a net exporter of tobacco, each year it imports substantial amounts from the United States for blending purposes. In the coming year, tobacco imports are expected to grow further as domestic consumers push for higher quality cigarettes.

High-Value Items Grow in Popularity

With their new-found prosperity, more and more Thais are attracted to the many supermarkets, restaurants and fast-food outlets that serve Western-style cuisine. Rising disposable incomes have expanded consumption of meat, dairy products, fruits and specialty items.

A dramatic rise in milk consumption spurred by a more health-conscious public has consistently surpassed



domestic milk production. In response, imports of non-fat dry milk and whole milk powder are climbing fast.

Traditionally a major exporter of horticultural products, Thailand's imports of fresh, canned and frozen fruit are on the rise. Imported apples, pears and raisins continue to be popular items with the affluent Thais and the country's many visitors.

Imported Livestock Bolsters Production

U.S. high-value products also are in demand to help build Thailand's domestic agricultural production and processing sectors. Over the past several years, purchases of U.S. breeding animals have soared.

Thailand has imported baby chicks and breeding livestock to improve the quality and size of domestic poultry and livestock industries. Although regional exporters are capturing much of the growth, U.S. animals are popular for their genetic superiority.

The country's fast-growing footwear industry also relies heavily on U.S. hides and skins. Thailand is carving a niche in the Asian shoe industry because of its low-cost and plentiful labor supply. In 1987, the value of U.S. hides and skins

Bob Tetro photos

Hot U.S. Export Items in Thai Market

Fresh fruits
Wine
Chocolate
Frozen beef
Canned fruit and vegetables
Candy and nuts
Dried fruits
Cereal products
Popcorn
Coffee

exports tripled the 1986 showing, and this year's sales have already surpassed the level registered a year ago.

U.S. Exports Look Even Bigger Down the Road

Total U.S. agricultural exports for fiscal 1988 are expected to surpass those of a year ago. The opportunity for further expansion clearly exists if several major obstacles can be overcome.

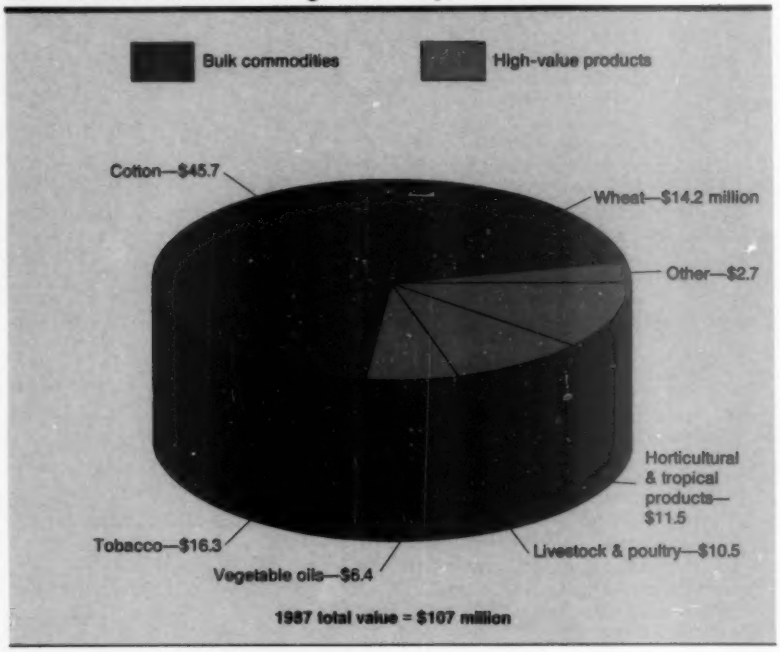
The United States faces stiff competition in Thailand's import markets, particularly from neighboring developing countries. The degree to which U.S. products are able to retain their competitive edge in terms of quality and price will determine how well they fare in the future.

The Thai government's drive to diversify its food production and processing industries through high duties on many imports also could pose a threat to growth of U.S. goods in the market. Licensing and quota restrictions on soybean products and high duties on horticultural products stifled what had previously been strong import markets. Progress towards liberalizing these markets has been slow.

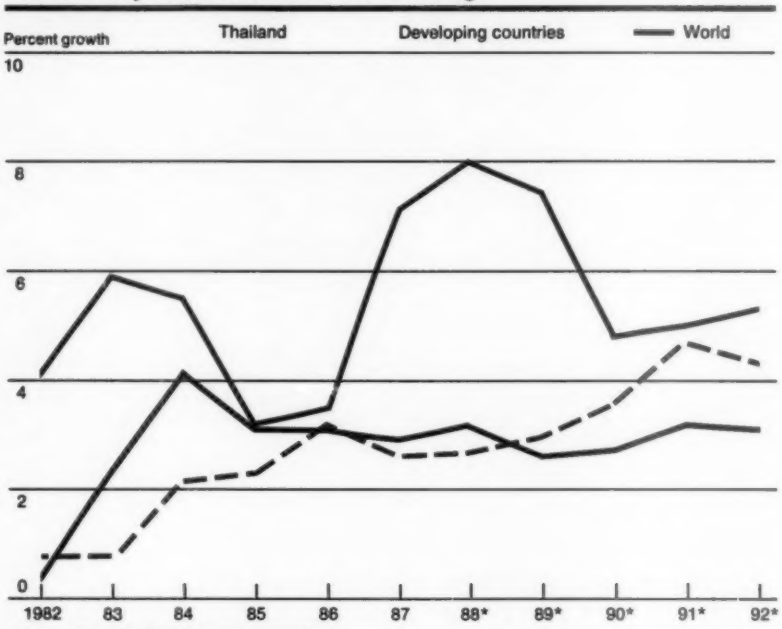
Perhaps one of the strongest barriers to expanding U.S. agricultural exports to Thailand is the domestic taste preference for traditional dishes. Creative marketing efforts, including cross-cultural research and promotional activities, can accelerate the shift towards more diversity in eating patterns. ■

The author is an agricultural economist with the Trade and Economic Information Division, FAS. Tel. (202) 382-9522.

Bulk Products Dominate U.S. Agricultural Exports to Thailand



Thai Economy Grows Faster Than World Average



*Forecasted real GDP, Wharton Econometrics.

Imports of U.S. Cut Flowers Are Blossoming in Japan

Japanese imports of cut flowers have more than doubled in the past three years to $57.1 million in 1987. Though still small compared to the cut flower market in the United States and Europe, the Japanese market has grown at an average annual rate of 7 percent over the past five years.

Traditionally, cut flower imports have represented a relatively small percentage of the total Japanese cut flower market. This was because of uncertainties in obtaining plant quarantine clearance, difficulties in ensuring the freshness of cut flowers, high costs for speedy transport and risks concerning final prices at auction.

The rapid increase in Japan's imports resulted from efforts to minimize these constraints. Faster, more efficient delivery systems, streamlined quarantine procedures, improved quality of imported product and the appreciation of the yen all contributed to the increase.

Direct contract business between Japanese importers and retailers, which has cut the risk of sudden price falls at wholesale auction, also has helped.

Thailand is the leading exporter of cut flowers to Japan, followed by Taiwan, the Netherlands and the United States. Together these countries accounted for 86 percent of shipments to Japan on a weight basis, and 78 percent on a value basis.

U.S. Is No. 1 for Anthuriums, Carnations

U.S. cut flowers imported by Japan include anthuriums, carnations (the United States is the No. 1 supplier for both of these) and orchids. Almost all anthurium imports come from Hawaii and sales are year-round.

Carnations are imported from several sources, including the United States. Demand peaks on Mother's Day in May and during autumn, the "marriage season."

Thailand is the major supplier of orchids, while Taiwan is the principal source of imported chrysanthemums.

U.S. Fern Imports Also on the Rise

Though not included in the cut flower category, cut ferns, used in floral arrangements, also are imported in substantial quantity from the United States.

Japan imported close to 17 million fern stems in 1985 from the United States. Though data for 1986 and 1987 are not available, it is estimated that fern imports from the United States have more than doubled since 1985.

Because of their sturdy nature, ferns are not easily damaged by fumigation and hence are a much lower risk export item than flowers. They do, however, carry a 5-percent duty.

Regulations Limit Import Potential

There are no quota restrictions or customs duties on cut flowers imported into Japan. However, all flowers entering the country are subject to the Plant Protection Law, which requires that inspections be made to ensure the flowers are not contaminated with pests.

As a result, only those flowers which have been sprayed, raised in protective greenhouses or can withstand fumigation easily are recommended for export to Japan.

Agents Recommended for New Exporters

In general, because of the uncertainties associated with quarantine inspection and the varying levels of damage that fumigation may cause for different varieties of flowers, exporters should contact a specialized importing agent before making any shipments to Japan.

First-time U.S. exporters of cut flowers may find visiting Japan useful. This would enable them to meet Japanese importers, see what varieties of cut flowers are selling, find out whether the color and shapes of an exporter's product would be appealing to the Japanese market and determing whether the product can be priced competitively to sell in the Japanese market.

First-time exporters should also be aware that high-quality cut flowers are essential to obtaining a good price.

In most cases, new exporters will find it helpful to talk with several of Japan's major flower importers and select one of them to be an agent. ■

This article is adapted from a market survey prepared by Market Makers, Tokyo.

Malaysia's Changing Society Signals Market Opportunities

Despite its small size, Malaysia is a promising market for U.S. agricultural products. In an interview with Foreign Agriculture, *Frank Tarrant, the former U.S. agricultural attache in Kuala Lumpur, encourages U.S. exporters to explore the Malaysian market.*

Foreign Agriculture: Give us a brief overview of the Malaysian market.

Tarrant: Malaysia is a country in the South China Sea about the size of New Mexico. The main commodities produced are rubber, palm oil, rice, timber, pepper and cocoa.

Malaysia imports most of the food and agricultural products it consumes. The country does not grow corn or soybeans, so virtually all animal feed requirements are imported. All of its wheat needs must be imported as well. Malaysians do grow some fruits and vegetables but there is also a big market for temperate fruits such as apples, oranges and grapes.

The market for value-added products, such as canned fruits and vegetables and processed foods, is growing. A recession a few years ago caused a slowdown in the Malaysian economy and imports of high-value products were hurt. But the economy has rebounded well and imports of processed products have improved.

In addition, the supermarket industry is expanding rapidly, providing more outlets for sales of processed products. Previously, marketing processed products was difficult because there were not many outlets to sell the products.

FA: What is the population of Malaysia?

Tarrant: Malaysia has a population of about 16 million people. Per capita income is about US$2,000 per person. The main city is Kuala Lumpur, which is an affluent, modern city. The second largest city is Penang, which is also affluent but not quite as modern.

The island of Borneo, which is less developed, has about 2.5 million Malaysian citizens. Marketing agricultural products to that part of the country is usually done through Singapore because it is more efficient.

FA: How do consumers buy their food?

Tarrant: In some ways, Malaysia is still a traditional market. Most homemakers shop

"One of the most positive features of the Malaysian market is that it is entirely in the hands of the private sector."

every day for fresh meat and vegetables. Half of the Malaysian population is Muslim so there are restrictions on where pork can be sold. But per capita pork consumption by the remainder of the population, which is mainly Chinese, is high.

Until recently, eating out in Malaysia meant buying food from roadside vendors who sell noodles, rice and various meat and vegetable dishes. But increasingly U.S. fast-food firms are popping up in Malaysia. In the past 10 years, Malaysians have moved to a more Western-style way of shopping in supermarkets and dining in restaurants.

FA: How would you describe Malaysian consumers?

Tarrant: Malaysia is a well-educated and modern society. There are still many people in rural areas who have a more traditional way of life with a rice-based diet. But that's changing.

Malaysia sends 25,000 people a year to the United States for college educations—second only to Taiwan in the number of foreign students in the United States. Thousands more are sent to universities in Australia and Great Britain. These young people return to Malaysia after being exposed to the Western way of life and having acquired Western habits.

FA: What does the United States export to Malaysia?

Tarrant: The United States is one of Malaysia's major agricultural suppliers and provides bulk commodities such as wheat, cotton, tobacco, soybeans and high-value and value-added products such as fresh fruits, beef and processed foods.

The leading product in terms of value is tobacco, followed by cotton, wheat and soybeans. High-value products supplied to Malaysia include apples, oranges, grapes and a whole range of processed products.

FA: What other countries compete for the Malaysian market?

Tarrant: Looking at Malaysian imports from all countries, corn is the major product imported. Traditionally, Thailand supplies about 80 to 90 percent of Malaysia's corn imports. In 1987/88, however, Thailand experienced a tremendous drought, so the United States sold a considerable quantity of corn to Malaysia. These sales may be short-term, however, as Thailand is the logical supplier of corn because it is so close to Malaysia.

Thailand also supplies most of Malaysia's rice imports. Even though rice is grown there, Malaysia is one of the largest markets for rice in the world.

Australia, Canada, Argentina and the United States are the main wheat suppliers. Soybeans are supplied by China, but the United States is expected to make significant sales gains in the coming years. The United States traditionally supplies about 35 to 40 percent of the cotton market and the rest is supplied by Pakistan and some African countries.

U.S. exporters not only compete with Malaysian suppliers of fruits and

vegetables, but those from Thailand, Taiwan and Australia as well.

FA: What products should U.S. exporters consider for the Malaysia market?

Tarrant: The United States will continue to be competitive in soybeans as exportable supplies from China are expected to diminish.

For cotton, prospects look bright. The Malaysian textile sector is relatively small compared to other Asian countries. However, within Malaysia, the textile industry is one of the largest industries, particularly for employment and foreign exchange earnings.

The United States is recognized as a reliable supplier with the ability to deliver a quality product within a reasonable shipping time. The Malaysian textile industry prefers U.S. cotton. The only constraint may be price.

Malaysia imports all its wheat. In the wheat market, the United States produces a product which cannot be supplied by any other country—high-protein wheat. Australia is the main supplier of low-protein wheat. The U.S. share of the high-protein wheat market, which totals about 75,000 tons annually, appears secure for the near future.

Malaysian millers like the intrinsic milling characteristics of U.S. wheat which many of them consider to be superior to other wheats. They have indicated that they would purchase more if the freight differential were lower.

One promising development that may lead to increased sales of U.S. wheat is the availability of hard white wheat from California. If this wheat is produced in sufficient quantity, it has the potential to displace Australian spring wheat. However, supplies of this type of wheat are still negligible at this stage.

The U.S. apple, orange and grape industries have been successful in promoting U.S. fruits, and name recognition of U.S. products is high. The challenge facing the U.S. fruit industry is to continue supplying quality fruit at reasonable prices. As long as U.S. products remain competitively priced, the future for U.S. fruit exports to Malaysia appears promising.

"As a result of the TEA program, some U.S. products are now the standard by which Malaysians compare other countries' products."

The value-added or processed products market should grow slowly but steadily. For these products, the constraint is the small population. But there are still many opportunities for exporters willing to take the long-term view. For example, one U.S. supplier ships several containers of ice cream to Malaysia four times a year. It's these small victories that will earn U.S. exporters profits in the Malaysian market.

FA: What are the roadblocks U.S. firms face in the Malaysian market?

Tarrant: The biggest difficulty U.S. exporters face is the distance. Another constraint is the country's size—it's only 16 million people compared to neighboring Indonesia which is 10 times as large.

For example, a shipper could not ship an entire container of canned fruit to Malaysia because the market cannot absorb that much in one shipment. All shipments for high-value products have to be consolidated shipments and that is a constraint.

FA: Is it difficult to market products in Malaysia?

Tarrant: One of the most positive features of the Malaysian market is that it is entirely in the hands of the private sector. The only sector that has some government involvement is rice.

Fruits and vegetables are imported by a dozen importers and distributed by dozens of wholesalers. In the case of value-added products such as canned fruits, small importers may import a particular product into the market. Generally, it's an efficient system.

That's one reason why USDA's Targeted Export Assistance (TEA) program has been so effective in Malaysia. Any advertising and promotional activities can be carried out without interference by the government.

As a result of the TEA progam, some U.S. products are now the standard by which Malaysians compare other countries' products. That is a great accomplishment. Malaysians don't say just "apples," but "Washington State apples."

Another positive aspect in Malaysia is that consumers have been exposed to foods from all over the world. In many Asian countries, consumers are reluctant to buy imported products. In Malaysia, many consumers prefer to buy products from other countries. In fact, Malaysian officials often complain that consumers automatically assume that imported products are better then local products. ■

Japan Ends Trade Restrictions On More Processed Food Products

By David Cottrell

The United States and Japan have reached an agreement resolving a long-standing trade dispute on 11 categories of processed food products. As a result, overall U.S. exports of these products are expected to double to over $160 million a year.

The agreement will allow U.S. exporters greater sales opportunities for selected tomato and dairy products, dried leguminous vegetables, peanuts, starches, sugars, sugar syrups, sugar-based food preparations, fruit puree and paste, prepared and preserved fruit and non-citrus fruit juices.

These products were previously constrained or prohibited by import quotas. U.S. Trade Representative Clayton Yeutter and Japanese Ambassador Nobuo Matsunaga signed the agreement on August 2.

Process To Be Completed in 1990

Some products were liberalized October 1, 1988. The others will be liberalized between April 1, 1989, and April 1, 1990, with greater access occurring during the interim.

One category, processed beef, was settled in the July 1988 beef and citrus agreement between the United States and Japan.

Under the recent agreement, the peanut quota was expanded. In addition, the chick pea and lentil categories were liberalized.

The effective dates for products to be liberalized are shown in the accompanying table. To compensate for not entirely removing the quotas on dairy products and starches, Japan also will reduce tariffs on an assortment of other agricultural products, such as popcorn, soups and roasted nuts (see table).

Previous restructions on who can import these products will be eased. Under the new agreement, opportunities for market access will be granted to new as well as established importers. To ensure marketing access for new importers, a specific portion of the increase in market size will be allocated to them.

Japan Reduces Tariffs on Assorted Products

Item	Current Rate	New Rate	Planned Date
	—Percentage—		
Foods containing cocoa[1]	35	28	4/1/89
Chemically pure fructose	12.8	9	4/1/89
Breakfast cereals	19.2	15.4	4/1/89
Roasted macadamia nuts	8	5	4/1/89
Roasted pecan nuts	10.2	5	4/1/89
Other roasted nuts	12.8	6	4/1/89
Bananas and avocados in pulp form w/sugar	35	30	4/1/89
Bananas and avocados in pump form w/o sugar	25	20	4/1/89
Prunes in pulp form w/o sugar	25	20	4/1/89
Mayonnaise	16	12.8	4/1/89
Canned vegetable soups	14	7	4/1/89
Other soups	16.8	8.4	4/1/89
Chewing gum	8	5	4/1/89
Pineapples, prepared or preserved w/o sugar	55	30	4/1/90
Popcorn	15 yen/kg[2]	0	4/1/89

[1]Excludes chocolate. [2]The amount under quota was imported at 0-percent tariff; amounts over quota carried a 15-yen per kilogram tariff.

Issue Dates Back Several Decades

Japan joined the General Agreement on Tariffs and Trade (GATT) in 1955 and at first used its balance of payments deficit as the rationale to maintain quotas on imports. These quotas were no longer justified when the Japanese trade deficit turned into a surplus in 1963. Japan then began a long process of gradually opening up its market.

However, many import quotas remained on agricultural products entering Japan. The United States and other nations began urging the Japanese to remove these quotas. Unsuccessful attempts to resolve this dispute included high-level consultations in 1983 and 1986 and resulted in a U.S. request for a GATT panel ruling on the quotas.

In October 1987, a GATT panel decided that Japan's import quotas for 10 categories of processed products were inconsistent with its GATT obligations. The panel also ruled that quotas on two other categories—dry beans and peanuts—were too small.

Effective Dates for Products Being Liberalized

Products	Date
Stuffed pasta and other pasta	10/1/88
Chick peas and lentils	10/1/88
Non-citrus fruit puree and paste	10/1/88
Apple, grape and peach pulp	10/1/88
Fruit juice for infants	10/1/88
Processed cheese	4/1/89
Non-citrus fruit juice concentrates (other than apple, grape and pineapple)	4/1/89
Tomato juice, ketchup and sauce	7/1/89
Frozen yogurt	4/1/90
Ice cream	4/1/90
Whipped cream	4/1/90
Protein concentrates	4/1/90
Sugars and sugar syrups (excluding lactose)	4/1/90
Citrus fruit puree, paste and pulp	4/1/90
Prepared or preserved pineapples	4/1/90
Apple, grape and pineapple juice concentrates	4/1/90
Single-strength fruit juice	4/1/90
Food preparations mainly consisting of sugar	4/1/90

Although Japan accepted the panel's decision, it delayed removing the quotas, necessitating additional negotiations to implement the GATT decision. The issue was resolved with the signing of the recent agreement between the two countries.

New Talks Set for 1990

The recent agreement, along with the beef and citrus pact, resolves one of the United States' longest agricultural trade dispute with Japan, the largest U.S. agricultural customer. It marks another step in getting Japan to open more fully its market for farm products.

At the end of 1990, the United States and Japan will meet again to renegotiate the remaining restricted items—dairy products, leguminous vegetables, peanuts and starches. ■

The author is with the International Trade Policy Division, FAS. Tel. (202) 382-8519.

U.S. Wood Exports to Korea Show Solid Growth

By K. H. Ahn

U.S. wood exports to Korea showed solid growth in 1987 and early 1988 in response to strong demand from Korean domestic and export markets.

Total wood exports were valued at $189.6 million in 1987, up 38 percent over the previous year. Exports during the first half of 1988 were running about 85 percent ahead of 1987.

Softwood logs, lumber, plywood, veneer and particleboard were preferred items for use in housing and packaging as well as the export-oriented industries of furniture and musical instruments.

Korean Economic Growth: Anything but Wooden

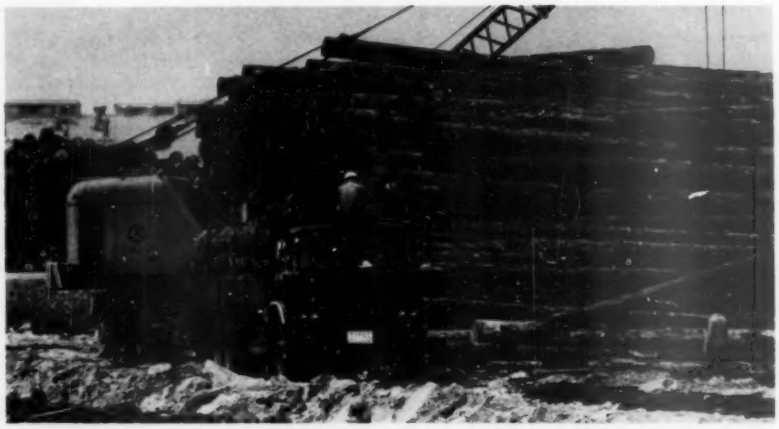
Korean economic growth exceeded 12 percent in 1987 and is expected to remain strong. Per capita income has increased, prompting a spreading preference for wood products.

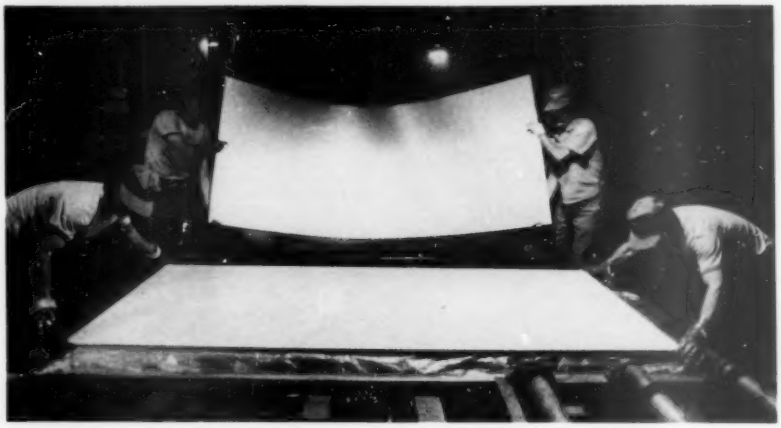
Housing starts declined by about 18 percent in 1987 compared to the previous year, lowering demand for wood in doors, door frames, kitchen cabinets and interior decoration. However, demand for wood products in other construction and package manufacturing more than offset the lower demand in housing.

Musical Instruments Hum Healthy Tune

Korean export markets are strong. Exports of musical instruments went up 41 percent in 1987, to $145 million. Exports of furniture went up 80 percent, to $115 million.

Japan has emerged as a big customer for Korean furniture. Japanese preferences for U.S. hardwoods have increased Korean manufacturers' demand for U.S. wood. In addition, Korea has replaced Japan as the top exporter of pianos. The growth of exports, in turn, has accelerated the use of wooden packages and containers.





Softwood logs

Softwood logs make up 78 percent of U.S. wood exports to Korea. Exports of softwood logs to Korea increased 27 percent last year to 2.1 million cubic meters, valued at $198 million. The United States supplied roughly a third of all the softwood logs Korea imported, making it the No. 1 supplier.

U.S. exports in the first four months of 1988 climbed to 885,000 cubic meters, up 55 percent over the same period a year ago. While the trend looks promising, Korean industry sources say that importers may have made heavy purchases in anticipation of a price rise in major exporting countries.

One stimulus to U.S. softwood log exports is the strong growth of Korea's construction and saw milling industries. In the past 15 years, these industries grew largely through processing imported logs.

Korea's imports of softwood logs consist mainly of Douglas fir, hemlock, spruce and red cedar. These species are popular for use in construction and the manufacture of furniture, musical instruments and packages.

Builders favor wood-frame construction in coastal areas because salt erodes reinforced concrete. In addition, red cedar is used more frequently in roofing because of its ability to prevent leaks.

U.S. Ponderosa and southern yellow pine are banned from import into Korea because of pine nematode infestations.

Chile and New Zealand are the chief U.S. competitors in exporting softwood logs to Korea.

Effective January 1, 1988, Korea lowered tariffs on softwood logs from 5 to 3 percent, an action taken to cushion customers from rising prices. The lower tariff is expected to continue through 1989.

The average price of U.S. softwood logs remained stable in 1987 at $84 per cubic meter, cost and freight basis, although prices have trended upward since October 1987. April 1988 prices (mainly Douglas fir and hemlock) jumped to $122 because fewer logs were available for export from the United States.

Lumber

U.S. exports of lumber to Korea were up about a third in 1987 to 39,000 cubic meters, valued at $14 million. Another increase is expected in 1988 because rising log prices internationally may reduce the competitiveness of Korean saw mills, persuading consumers to buy lumber instead of logs.

Another event that may spur the imports of U.S. lumber is that USDA's Commodity Credit Corporation made available $10 million in credit guarantees for Korea to purchase U.S. lumber and veneer in 1988.

U.S. softwood lumber exports to Korea are mainly Douglas fir and hemlock. Hardwood lumber exports are mainly oak and walnut.

Effective July 1, 1987, Korea lowered tariffs on some species of lumber from 20 to 15 percent. The 15-percent tariff now applies to all softwood lumber. A further reduction to 10 percent is under consideration and could take effect in 1989.

U.S. lumber accounted for 20 percent of Korean lumber imports in 1987. Indonesia and Malaysia are the leading competitors in that they export tropical hardwood lumber to Korea.

Plywood

U.S. plywood exports to Korea increased from $407,000 in 1986 to $1.4 million in 1987. The Korean construction industry increasingly demands U.S. plywood because of its easy handling characteristics.

Substantial growth is likely in 1988 because of continuing strong demand from construction, furniture, musical instrument, container and packing industries.

Effective January 1, 1988, the Korean import duty on plywood was lowered from 30 to 20 percent. Chief U.S. competitors in supplying plywood include Malaysia, Indonesia and Thailand, all of which export tropical hardwood plywood to Korea.

Veneer

U.S. exports of veneer to Korea increased from 2.6 million square meters, valued at $3.8 million, in 1986 to 2.8 million square meters, valued at $4.1 million, in 1987. Walnut and oak accounted for most U.S. exports and are used mainly for furniture finishing. There is strong demand for high-quality U.S. veneer, which supplied 35 percent of the Korean market in 1987.

Effective July 1, 1988, the tariff on cedar and teak veneer was lowered to 10 percent although the tariff on all other veneers remains unchanged at 15 percent. The tariff on tropical hardwood veneer remains at 10 percent.

U.S. Wood Exporters Chop Their Way Into Korean Market

Commodity	1986	1987	U.S. Share of Korean Imports
	—In $ millions—		In percent
Total	162.1	221.8	29
Softwood	145.0	198.0	30
Lumber	11.3	14.5	20
Plywood	0.4	1.4	13
Veneer	3.8	4.1	35
Particleboard	1.6	3.8	21

Particleboard

Exports of U.S. particleboard to Korea increased from 20,000 cubic meters, valued at $1.6 million, in 1986 to 28,000 cubic meters, valued at $3.8 million, in 1987.

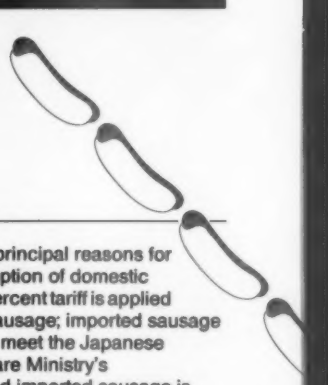
The United States contributed 21 percent of Korea's particleboard imports. Korean demand for particleboard in 1988 is expected to remain strong because it is a preferred material for kitchen cabinets and electronic product packaging.

The Korean government lowered the import duty on particleboard from 20 to 15 percent for 1988 to cushion consumers from rising prices. The lower tariff is expected to continue through 1989.

Other suppliers of particleboard to Korea include Indonesia, Chile, West Germany, New Zealand, Singapore, Malaysia and Italy. ■

The author is the senior agricultural specialist in the office of the U.S. agricultural counselor, Seoul.

Hot Dogs! The Japanese Love Them



By Jeffrey McNeil

Imports of sausage into Japan more than doubled between 1985 and 1987, when they reached an all-time high, helped largely by the strong yen and a surge in popularity of sausage in both food service and home use.

In fact, sausage comprised the largest single category of processed meat in Japan, and the market has grown 26 percent in the past three years.

Sausage can be classified broadly into two types based on the Japanese Health and Welfare Ministry's processing regulations: regular sausage, such as frankfurters and weiners, with a water activity level of 0.86 or more; and dry sausage, such as salami, pepperoni and chorizo, with a water activity level of less than 0.86.

Hot Dogs Are Hot

Hot dogs are definitely a hot item in Japan. In fact, frankfurters and weiners accounted for 97 percent of all sausage sales in 1987 compared with 3 percent for dry sausage.

The United States was Japan's top foreign supplier of sausage last year. The United States supplied 699 tons of sausage, 28 percent of Japan's total sausage imports in 1987. U.S. sausage exports were up 25 percent over the 1986 level.

In comparison, the average increase in all foreign sausage exports to Japan was 21 percent. Other competitors in the market are Australia, Mexico, Taiwan, Denmark, the Netherlands and West Germany.

Annual per capita consumption of sausage rose from 3.76 pounds in 1983 to 4.83 pounds in 1987, fueled by a mushrooming demand for Western-style meats and menus.

Food service usage accounted for 25 percent of sausage demand. Traditionally, sausage has been used in boxed lunches. The Japanese also serve sausage as a snack between meals and with drinks.

Sausage for breakfast or as an entree is less common in Japan than in the United States, but this is likely to change soon. McDonald's has introduced a sausage breakfast menu, and many Western-style restaurants serve sausage for dinner. Consumers tend to adopt such menus at home over time.

Japan's largest chain of coffee shops features a "German Dog" as a meal, and a fast-growing pub chain features sausage as a snack. In addition, large supermarkets and food stores stock imported goods because of their popular appeal.

Marketers Advertise Hot Dogs Heavily

Sausage, especially weiners and frankfurters, has been heavily promoted in television, radio and newspaper advertisements. Japanese sausage manufacturers spent $33.5 million on advertising in 1986, emphasizing the "old world" image of sausage.

Advertising included in-store promotions with attractive giveaways and campaigns that feature "the real taste of Germany."

Despite the increase in imports, domestic manufacturers still produce 99 percent of all sausage consumed in Japan. In fact, domestically manufacturered sausage comes, for the most part, from pork imported from Taiwan, the United States and Denmark.

There are three principal reasons for the high consumption of domestic sausage. A 25-percent tariff is applied to all imported sausage; imported sausage does not always meet the Japanese Health and Welfare Ministry's requirements; and imported sausage is often too salty or oily for Japanese tastes.

Despite the high tariff on sausage imports, they are not subject to quota restrictions. Even sausage made of 100-percent beef can be imported in unlimited quantity subject to the tariff.

Standards Are Strict for Imports

Sausage imports must meet the strict standards of the Japanese Ministry of Health and Welfare on bacteria count, heat processing and water level activity.

For example, imported sausage must test negatively for coliform upon arrival in Japan. Since coliform levels can change during shipment, tests are performed at the point of entry.

Foreign exporters frequently must produce items designed specifically to meet Japanese criteria because Japanese food testing is complex, detailed, thorough and recurring.

To aid potential importers, Japan has licensed two laboratories in the United States to perform pretesting that will lessen a product's chance of rejection upon arrival in Japan.

Pretesting measures product contents not likely to change in transit, such as pesticide residues, food additives, preservatives and trace elements. The U.S. laboratories performing this service are:

Laboratory Services Division
Oregon Department of Agriculture
635 Capitol Street, N.E.
Salem, Oregon 97310-0110
Tel. (503) 378-3793

Bolin Laboratories, Inc.
17631 North 25th Avenue
Phoenix, Arizona 85023
Tel. (602) 942-8220

Exporters Must Understand Market

Product development and testing are necessary for U.S. exporters interested in the Japanese market. Potential exporters may need to develop products that not only meet health standards but also satisfy Japanese consumer tastes.

In addition, to be successful in reaching consumers, importers need distribution channels that effectively match those of Japan's more established domestic brands. Imported sausage often is sold through trading companies to wholesalers and subsequently to retailers.

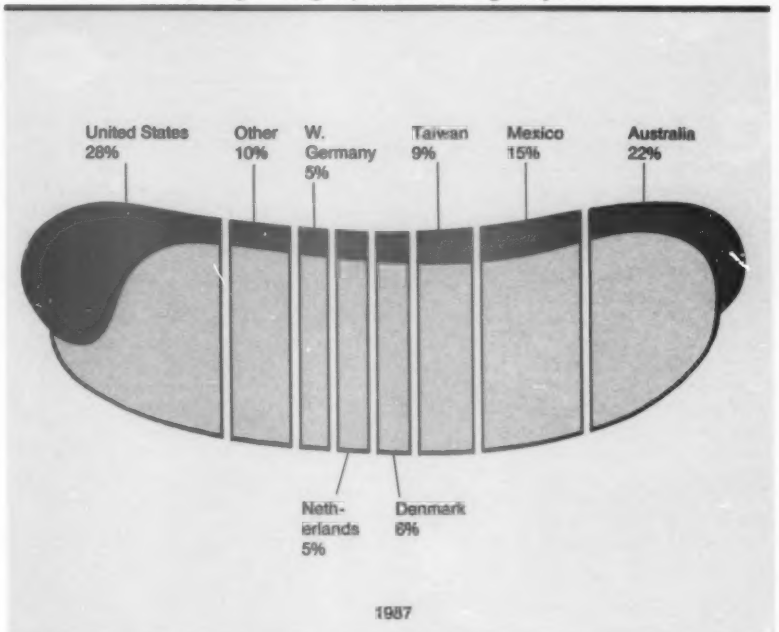
Japanese processors frequently sell imported sausage under their labels using their sales representatives. Some U.S. meat processors have ties with major Japanese meat companies and use their distribution arms. Oscar Meyer, for example, owns part of Prima Ham, a major Japanese sausage manufacturer.

Sausage Exporters Can Find Help

The Foreign Agricultural Service export product review program can help U.S. exporters make sure their products meet Japanese regulations. The review determines whether a specific product meets a foreign country's labeling and ingredient requirements and whether it can be imported as is or with changes.

The review also includes an assessment of the product's marketability, highlighting issues that might prevent market access.

United States Is Top Dog Among Japanese Sausage Importers



The charge for the review is $25 per product per country. An application form and further details can be obtained from:

Export Product Review Program
Foreign Agricultural Service
U.S. Department of Agriculture
Room 4945 South Building
Washington, D.C. 20250-1000
Tel. (202) 475-3408

Additional assistance for marketing sausage in Japan is available from the U.S. Meat Export Federation, a market development commodity association. The Federation is familiar with the Japanese sausage market and can serve as an entry contact for sausage processors exploring opportunities in Japan.

The Federation maintains an office in Tokyo and can also be reached through its headquarters in the United States.

U.S. Meat Export Federation
6th Floor, Tameike Tokyu Building
1-14, Akasaka 1-chome
Minato-ku, Tokyo 107
Japan
Tel. 03-584-3911
Telex 29180

U.S. Meat Export Federation
600 South Cherry Street, Suite 1000
Denver, Colorado 80222-1716
Tel. (303) 399-7151
Telex 450143 ■

The author is managing director of Market Makers in Tokyo.

Latin America Is Brewing With U.S. Barley Malt Again

By Ron Phillips

Although the European Community (EC) has dominated the Latin American market for barley malt for the past decade, Latin American brewers once again are beginning to use U.S. barley malt in their brewing process, thanks to a samples program sponsored by the U.S. Feed Grains Council.

The potential market in Latin America for U.S. barley malt is estimated to be about 500,000 tons. To tap this potential market, the U.S. Feed Grains Council has created programs designed to re-introduce U.S. barley malt to brewers.

Weaning brewers away from the EC barley malt, which they now prefer, is perhaps the biggest obstacle to opening up the Latin American market. Latin American brewers are more familiar with the EC's malt, made with two-row barley—barley stalks with two heads—than they are with U.S. malt, usually made with six-row barley.

Also, EC subsidies on barley exports have given the European industry a competitive advantage in the Latin American market.

Program Designed To Educate Brewers

Thanks to funding by the U.S. Department of Agriculture's Targeted Export Assistance (TEA) program, the U.S. Feed Grains Council was able to develop a samples program to educate Latin American brewers about the quality of U.S. barley.

Under this program, samples of U.S. barley malt are provided to Latin American brewers for use in their brewing process. The Council hopes the program will convince brewers that U.S. barley malt equals or surpasses that supplied by the EC.

The Council hired a Latin American brewmaster to oversee the test runs using U.S. malt samples. To date, brewers have been contacted in every targeted country, including Brazil, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Jamaica, Panama, Peru and Venezuela.

Samples projects in Peru, Honduras and Guatemala already have been completed. In Honduras, the Cerveceria brewery ran a successful demonstration and expressed interest in purchasing U.S. malt—if the price is right.

In response, the Council asked USDA to offer U.S. malt to Latin American countries under the Export Enhancement Program (EEP). EEP was created by Congress in 1985 to give U.S. exporters a tool to counteract the subsidies of competitor nations and make U.S. commodities price competitive.

After economic analysis of the market, USDA has offered EEP initiatives to Colombia, Peru, Costa Rica, El Salvador, Guatemala and Honduras.

Conferences Address Unfamiliarity

Even after initial EEP offers, however, the Council found sales activity remained slow. Latin American brewers were generally unfamiliar with the program and had many questions about how it worked.

To address this problem, the Council organized a barley malt conference in Caracas, Venezuela, and invited brewers from all over Latin America to attend. Sixteen brewers from nine countries sent representatives to the two-day conference.

USDA and Council personnel and representatives of six U.S. malters presented results of the brewing samples and explained the EEP, as well as other government credit programs.

The conference was successful in recreating an interest in U.S. barley malt.

Colombia, which had purchased no malt under an EEP offer of 30,000 tons in April 1987, came through with a purchase of 15,000 tons.

Program Successes Are Worldwide

The successes of the barley malt samples program have not been limited to Latin America. Samples projects also have been completed in the People's Republic of China and Turkey. Another 10 are in progress. The Council continues to work with USDA in making barley malt available through the EEP.

The Council estimates barley malt exports in 1985 and 1986 were around 60,000 tons. U.S. maltsters estimate 1987 exports jumped to about 120,000 tons. ■

The author is the communications manager with the U.S. Feed Grains Council, Washington, D.C. Tel. (202) 789-0789.

China

Imports of Quality U.S. Swine Aimed at Improving Herds

The United States likely will continue to be an important supplier of breeding swine to China, where foreign breeding stock plays an important role in China's efforts to increase the lean meat ratio of its hog population. Popular imported breeds include Duroc, Landrace, Hampshire and Yorkshire. While the demand for imported hogs is not expected to increase significantly, imports of 1,000-1,500 head per year should continue. However, from January to July 1988, no swine were exported to China. China and the United States also have signed a quarantine protocol agreement for swine semen, which is expected to provide another avenue for movement of animal genetics.

China's exports of slaughter hogs to Hong Kong slowed in 1987 to 3.02 million head, down from 3.11 million in 1986. It is expected that 1988 hog exports will reach the same level as last year, while exports of frozen pork, primarily to the Soviet Union and eastern Europe, may increase slightly. The government continues to allocate export quotas for Hong Kong among the provinces.

In late 1987 and early 1988, the central and provincial governments undertook a number of policies to increase pig production. The procurement price for pork was raised 30 to 40 percent, and farmers selling pigs to the state were given the opportunity to buy grain, fertilizer, diesel fuel and compound feed at low state-fixed prices. Some farmers have even received free feed. The State financed the sale of 1 million tons of State fixed-price corn by the provinces and provided a subsidy of the equivalent of US$34.50 per ton to the provinces. In addition, low-interest loans were made available to farmers. In Sichuan province, a minimum hog price has added stability to hog production. Hog producers appear to have responded to these incentives by raising production and sow inventories in 1988. As prices received by producers begin to more accurately reflect demand, the State may be able to remove some of the subsidies.—*David M. Schoonover, Agricultural Counselor, Beijing.*

Philippines

U.S. Wines Are No. 1 In Import Market

Philippine 1987 wine imports reached 1.27 million liters, nearly five times greater than the depressed import level of 1984. Wine imports from the United States reached 569,200 liters in 1987, four times higher than in 1986 and nine times higher than 1985. The U.S. share of total wine imports also has been on the upswing, increasing from 14 percent in 1985 to 45 percent in 1987.

The rapid growth in wine imports over the past several years is primarily due to an improving domestic economy and the March 1986 lifting of import restrictions which had virtually closed the Philippine market to imported wine. The surge in imports also reflects the increasing popularity of wine among Filipino consumers.

The major suppliers of wine to the Philippines in 1987 were the United States (45 percent of import volume), France (18 percent), Spain (11 percent), Italy (6 percent), West Germany (5 percent) and Australia (5 percent). The United States dominates ordinary wine imports with 55 percent of total 1987 volume, followed by France (14 percent) and Spain (8 percent). Spain supplies the bulk of sacramental wine imports, while the United States, United Kingdom, France and Spain supply most of the dessert wine. The United States is the major supplier of sparkling wines with a 43-percent share of total import volume, followed by France (33 percent), West Germany (8 percent), Italy (7 percent) and Australia (6 percent). Italy supplies the bulk of vermouth imports.

New-to-market wines must pass the Philippine Bureau of Food and Drug for an initial clearance process. All wines are subject to a 50-percent ad valorem import tariff and a 10-percent value-added tax. Excise taxes are based on alcohol content and are assessed as follows: still wine with 14-percent or less alcohol content by volume are taxed at US$0.05 per liter; still wines with greater than 14-percent alcohol content by volume are taxed at $0.19 per liter; sparkling wines are taxed at $0.76 per liter; and fortified wines with greater than 25-percent alcohol content by volume are taxed at $1.19 per liter.—*Robert M. McConnell, Agricultural Counselor, Manila.*

Poland

Leather Industry Makes Important Purchase of U.S. Leather

Skorimpex, the leading Polish buyer of hides and skins, purchased 1,500 tons of U.S. cattle hides last summer. This was the first large sale to Poland in several years and marks the first major move by the Polish leather industry to spend limited foreign exchange to purchase from the United States. Since U.S. prices declined in early September and are now competitive with those for Australian hides, Skorimpex would like to buy more U.S. hides. While Skorimpex is unable to purchase more hides in 1988 due to a shortage of hard currency, a new allocation of foreign exchange expected in early 1989 would enable Skorimpex to step up its purchases. Skorimpex is particularly interested in buying more hides from the United States, because it believes U.S. hides are of the high quality needed to meet demands created by the European furniture and car industries.—*Harold L. Norton, Agricultural Attache, Warsaw.*

Yugoslavia

Drought Could Lead To Imports of Oilseeds

Yugoslavia will need to import vegetable oil during the 1988/89 marketing year to cover domestic requirements, rather than export oil as was previously expected. A prolonged summer drought is blamed for the adverse affect on the vegetable oil trade. In addition to oil imports, Yugoslav crushing plants will require imports of approximately 300,000 tons of soybeans in order to satisfy domestic demand. Since the Yugoslav government liberalized imports of soybeans under its economic liberalization program announced in May 1988, 300,000 tons of soybeans could be imported in 1988/89. Some Yugoslav crushing plants already have expressed an interest in U.S. intermediate-term credit guarantees for purchases of U.S. soybeans.

The Yugoslav government also has allocated $400 million for interventional imports of various consumer goods and raw materials. The business association of livestock producers has requested that part of the money be allocated for imports of livestock feeds, such as corn and oilseed meals.—*Steve Washenko, Agricultural Attache, Belgrade.*

Zaire

Increased Bread Consumption Spurs Wheat Use

Wheat consumption in Zaire is growing rapidly, reflecting inexpensive and abundant bread supplies in the capital city of Kinshasa. The city has a population of about 3.5 million and represents about 60 percent of the wheat flour market. Low-priced bread is produced by a relatively efficient and competitive milling and baking industry which passes on its low costs to consumers.

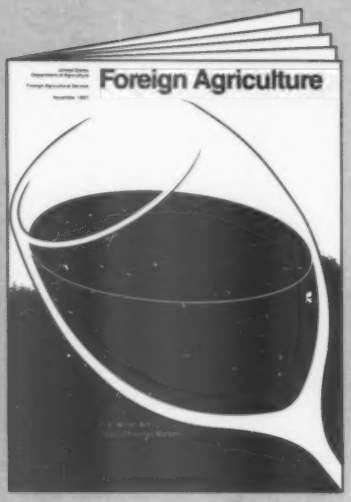
Short supplies and higher prices for imported rice in 1987-88 also may have spurred growth in bread consumption. However, higher wheat prices and improved rice supplies may slow the rise in bread consumption in 1989.

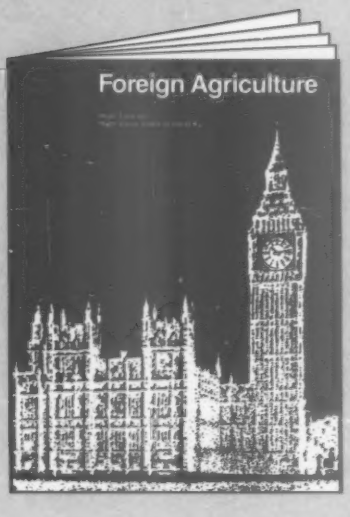
The United States traditionally has been the leading supplier of wheat to Zaire, using both the P.L.-480 title I concessional sales program and, more recently, the Export Enhancement Program to promote sales. Programs such as P.L.-480 title I and European structural adjustment loans tied to commodity purchases facilitate commercial imports of wheat, wheat flour and rice.

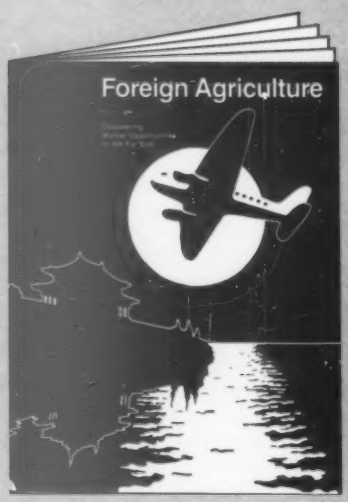
Production of wheat in Zaire is insignificant. Currently, wheat production is limited to elevations above 5,000 feet in Kivu and Shaba Provinces in eastern Zaire. The Minoterie de Matadi (Midema) facility supplies most of Zaire's flour needs. To mill locally produced wheat, Midema operates a small mill in Kivu. The mill has a capacity of 10 tons per day. Future production is not expected to exceed 15,000-20,000 tons.

The recent surge in consumption has kept Midema's 32 milling machines operating around the clock at full capacity 320 days per year. To meet future demand, Midema plans to increase capacity by 100 tons per day by early 1989.

In late 1987, a new pasta factory named Patekin opened in Kinshasa. Patekin has a potential capacity of processing 6,000 tons of semolina per year in order to produce a variety of pasta products. Currently, the semolina is bought from Midema.—*Richard J. Blabey, Agricultural Attache, Abidjan.*







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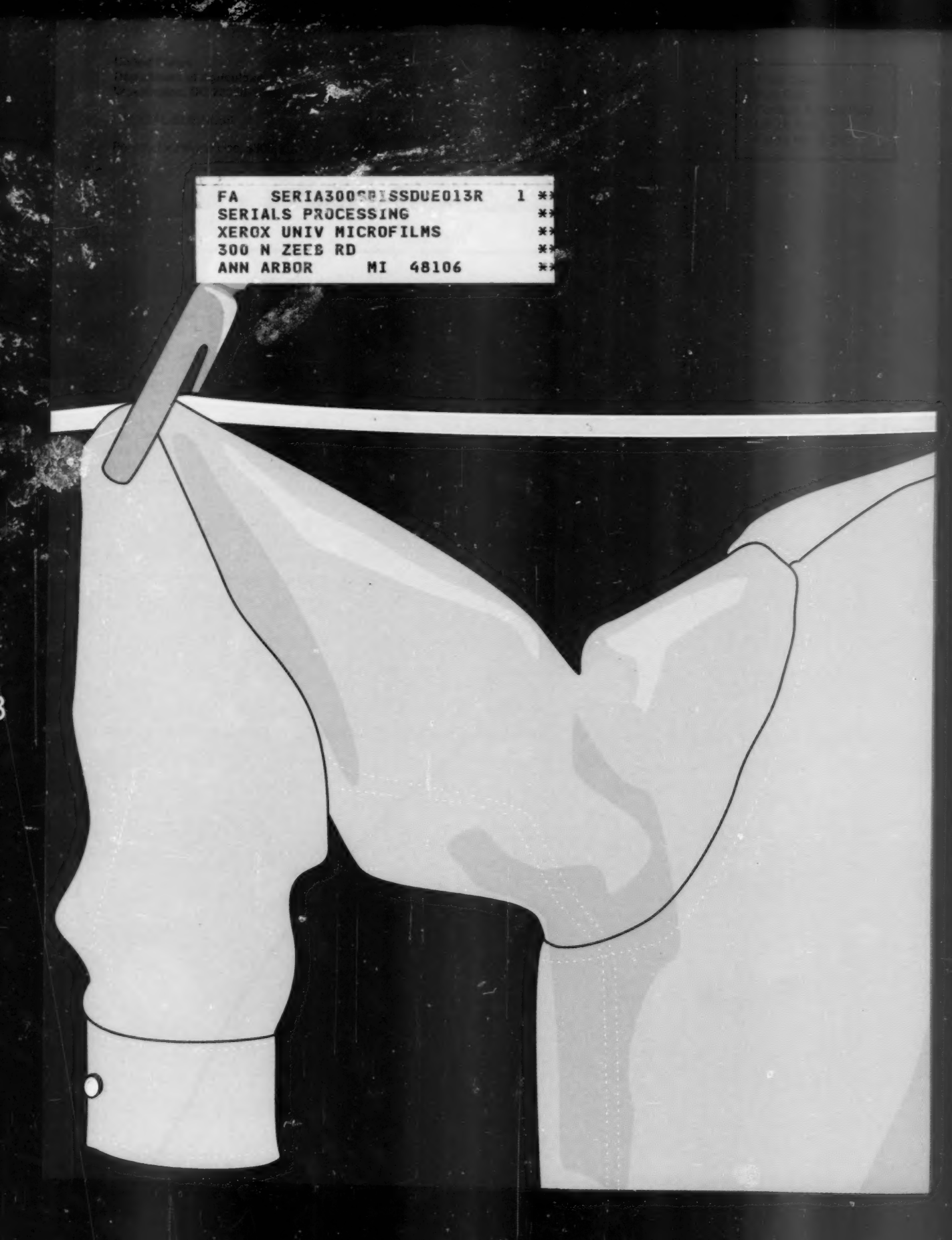
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